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BEFORE THE POSTAL REGULATORY COMMISSION WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCT PRICES GLOBAL RESELLER EXPEDITED PACKAGE CONTRACTS NEGOTIATED SERVICE AGREEMENTS

Docket No. MC2013-51

COMPETITIVE PRODUCT PRICES GLOBAL RESELLER EXPEDITED PACKAGE CONTRACTS 2 (MC2013-51) **NEGOTIATED SERVICE AGREEMENT**

Docket No. CP2013-64

REQUEST OF THE UNITED STATES POSTAL SERVICE TO ADD GLOBAL RESELLER EXPEDITED PACKAGE CONTRACTS 2 TO THE COMPETITIVE PRODUCTS LIST AND NOTICE OF FILING A GLOBAL RESELLER EXPEDITED PACKAGE 2 NEGOTIATED SERVICE AGREEMENT AND APPLICATION FOR NON-PUBLIC TREATMENT OF MATERIALS FILED UNDER SEAL (May 24, 2013)

In accordance with 39 U.S.C. § 3642 and 39 C.F.R. § 3020.30 et seg, and Order No. 445, the United States Postal Service (Postal Service) hereby requests that Global Reseller Expedited Package Contracts 2 (GREP Contracts 2), as expressed through a successor contract to the Global Reseller Expedited Package Contracts 1 agreement filed in Docket No. CP2011-55.² be added to the competitive product list within the Mail Classification Schedule (MCS). Prices and classifications not of general applicability for Global Reseller Expedited Package (GREP) contracts were previously established by the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Global Reseller Expedited Package Contracts, issued

PRC Order No. 445, Order Concerning Global Reseller Expedited Package Contracts Negotiated Service Agreement, Docket Nos. MC2010-21 and CP2010-36, April 22, 2010.

See PRC Order No. 648, Order Approving an Additional Global Reseller Expedited Package Contract

Negotiated Service Agreement, Docket No. CP2011-55, January 13, 2011.

March 24, 2010 (Governors' Decision No. 10-1).³ Subsequently, the Commission added Global Reseller Expedited Package Contracts 1 (MC2010-21 and CP2010-36) to the competitive product list. The contract filed in Docket No. CP2010-36 serves as the baseline agreement for comparison of potentially functionally equivalent agreements under the GREP Contracts 1 grouping.⁴ The Postal Regulatory Commission (Commission) determined that individual GREP contracts may be included as part of the GREP Contracts 1 product if they meet the requirements of 39 U.S.C. § 3633 and if they are functionally equivalent to the previously submitted GREP contract.⁵ Subsequently, the Commission included a number of individual GREP contracts within the Global Reseller Expedited Package Contracts 1 (MC2010-21) product.⁶

With this request, the Postal Service seeks to add the Global Reseller Expedited Package Contracts 2 product grouping to the competitive products list with the new baseline agreement filed herein.⁷

In support of this Request and Notice, the Postal Service is filing the following attachments:

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³ A redacted copy of the Governors' Decision was filed on March 29, 2010, and is filed as Attachment 3 to this Notice. See Request of the United States Postal Service to Add Global Reseller Expedited Package Contracts to the Competitive Products List, and Notice of Filing (Under Seal) of Contract and Enabling Governors' Decision, Docket Nos. MC2010-21 and CP2010-36, March 29, 2010, http://prc.gov/Docs/67/67351/MC2010-21%20Global%20Resellers%20Request.pdf, Attachment 2.

⁴ PRC Order No. 445, at 8; see also PRC Order No. 811, Order Approving Additional Global Reseller Expedited Package Contracts 1 Negotiated Service Agreement, Docket No. CP2011-67, August 18, 2011, at 4.

⁵ PRC Order No. 445, at 8.

⁶ PRC Order No. 755, Order Approving Global Reseller Expedited Package Contract Negotiated Service Agreement, PRC Docket No. CP2011-65, June 30, 2011, at 6; PRC Order No. 811; PRC Order No. 1177, Order Approving Additional Global Reseller Expedited Package Contract 1 Negotiated Service Agreement, Docket No. CP2012-14, January 27, 2012; PRC Order No. 1337, Order Approving an Additional Global Reseller Expedited Package Contract Negotiated Service Agreement, Docket No. CP2012-21, May 9, 2012.

⁷ The Postal Service is not requesting that Global Reseller Expedited Package Contracts 1 be removed from the product list at this time, however, because several Global Reseller Expedited Package Contracts 1 agreements are currently in effect at this time.

- Attachment 1, an application for non-public treatment of materials filed under seal;
- Attachment 2A, a redacted version of Governors' Decision No. 11-6, which
 authorizes management to prepare any necessary product description of
 nonpublished competitive services, including text for inclusion in the MCS,
 and to present such matter for review by the Commission;⁸
- Attachment 2B, a revised version of MCS 2510.7 Global Reseller
 Expedited Package contracts, as it appears in the draft MCS that the
 Commission posted April 1, 2013 on its website, with a few revisions.⁹
- Attachment 2C, a redacted version of the certified statement required by 39 C.F.R. § 3015.5(c)(2) (to be included in a supplemental filing);
- Attachment 3, a Statement of Supporting Justification of Frank Cebello,
 Executive Director, Global Business Management, which is similar to the
 Statement of Supporting Justification used to support the classification of
 Global Reseller Expedited Package Contracts 1,¹⁰ and which is filed
 pursuant to 39 C.F.R. § 3020.32; and

⁹ See PRC, (Draft) Mail Classification Schedule, posted April 1, 2013 (with revisions through April 1, 2013), available at http://prc.gov/prc-pages/library/mail-classification-schedule/default.aspx?view=mail, as well as Fourth Set of Comments by United States Postal Service, Docket No. RM2011-8, April 22, 2013, Attachment 2, at 17.

⁸ Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates (Governors' Decision No. 11-6), March 22, 2011.

¹⁰ Request of the United States Postal Service to Add Global Reseller Expedited Package Contracts to the Competitive Products List, and Notice of Filing (Under Seal) of Contract and Enabling Governors' Decision, PRC Docket Nos. MC2012-21 and CP2010-36, March 29, 2010, Attachment 1.

Attachment 4, a redacted version of the contract that is the subject of this
docket, the successor contract to the Global Reseller Expedited Package
Contracts 1 agreement filed in Docket No. CP2011-55.

Redacted versions of the supporting financial documents for the contract that is the subject of this docket will be included in a supplemental filing in separate Excel files.

The contract is being filed separately under seal with the Commission.

Governors' Decision No. 11-6, the certified statement required by 39 C.F.R. §

3015.5(c)(2), and supporting documents establishing compliance with 39 U.S.C. § 3633 and 39 C.F.R. § 3015.5 will be included in a supplemental filing filed separately under seal with the Commission.

I. Background

The first GREP contract was filed on March 29, 2010,¹¹ and the Commission added Global Reseller Expedited Package Contracts 1 (MC2010-21 and CP2010-36) to the competitive product list in PRC Order No. 445.¹² Subsequently, the Commission included a number of individual GREP contracts within the Global Reseller Expedited Package Contracts 1 (MC2010-21) product.¹³

The contract that is the subject of this filing is the immediate successor to the contract that the Commission found to be eligible for inclusion in the Global Reseller Expedited Package Contracts 1 product in Docket No. CP2011-55. The contract is on

¹¹ Request of the United States Postal Service to Add Global Reseller Expedited Package Contracts to the Competitive Products List, and Notice of Filing (Under Seal) of Contract and Enabling Governors' Decision, Docket Nos. MC2010-21 and CP2010-36, March 29, 2010.
¹² PRC Order No. 445, at 9.

¹³ PRC Order No. 755, Order Approving Global Reseller Expedited Package Contract Negotiated Service Agreement, PRC Docket No. CP2011-65, June 30, 2011, at 6; PRC Order No. 811; PRC Order No. 1177, Order Approving Additional Global Reseller Expedited Package Contract 1 Negotiated Service Agreement, Docket No. CP2012-14, January 27, 2012; PRC Order No. 1337, Order Approving an Additional Global Reseller Expedited Package Contract Negotiated Service Agreement, Docket No. CP2012-21, May 9, 2012.

behalf of the same customer as the contract that is the subject of Docket No. CP2011-55. The contract that is the subject of this docket is scheduled to become effective upon the termination of the agreement that is the subject of Docket No. CP2011-55. The Postal Service respectfully requests that the contract that is the subject of this docket be considered as the new "baseline" contract for future functional equivalency analysis concerning the Global Reseller Expedited Package Contracts product. The Postal Service suggests that the Commission list the contract that is the subject of this docket as Global Reseller Expedited Package Contracts 2 on the Competitive Product list.

II. Identification of the Additional GREP 2 Contract

The Postal Service believes that the additional GREP Contracts 2 agreement included with this filing, and its terms, fit within the proposed Mail Classification

Schedule (MCS) language set forth in Attachment 2B. This additional GREP Contracts 2 agreement is a contract by which the Postal Service provides discounted prices for Express Mail International, Priority Mail International, and/or First-Class Package

International Service to a Sales Agent, also known as a Reseller. The Reseller is not a mailer, but rather markets Express Mail International, Priority Mail International, and First-Class Package International Service at discounted prices to its customers, especially small and medium-sized businesses.

The agreement that is the subject of this docket will serve as the successor agreement to the GREP contract filed in Docket No. CP2011-55. The agreement is set to expire one year after the Postal Service notifies the customer that all necessary approvals and reviews of the agreement have been obtained, the Commission

completes its review, and an Effective Date has been established, unless termination of the agreement occurs prior to the expiration of the agreement. The GREP contract filed in Docket No. CP2011-55 will be terminated the day prior to the Effective Date established for this agreement.

III. Filing under Part 3020, Subpart B of the Rules of Practice and Procedure

In support of the Postal Service's proposed addition of a product not of general applicability to the competitive products list that appears in the MCS, the Postal Service is providing a copy of Governors' Decisions No. 11-6, as Attachment 2A, and a revised version of the applicable sections of the MCS for GREP Contracts 2, which the Postal Service is proposing to revise, as authorized by Governors' Decision No. 11-6. (See Attachment 2B.)

In addition, in accordance with 39 C.F.R. § 3020.30, the Postal Service is providing a Statement of Supporting Justification of Frank A. Cebello, Executive Director, Global Business Management, as Attachment 3. This Statement is a revision of the Statement of Supporting Justification by the same individual, which was included in the Postal Service's request to add the Global Reseller Expedited Package Contracts product as a competitive product within the MCS.¹⁴ Mr. Cebello's statement provides support for the addition of Global Reseller Expedited Package Contracts 2 product to the competitive products list.

Under 39 U.S.C. § 3642(b), the only criteria for such review are whether the product qualifies as market dominant, whether it is excluded from the postal monopoly, and whether the proposed classification reflects certain market considerations. Each of

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¹⁴ See Request of the United States Postal Service to Add Global Reseller Expedited Package Contracts to the Competitive Products List, and Notice of Filing (Under Seal) of Contract and Enabling Governors' Decision, Docket Nos. MC2010-21 and CP2010-36, March 29, 2010, Attachment 1.

these criteria has been previously addressed in relation to Global Reseller Expedited Package Contracts, 15 as well as in relation to First-Class Package International Service which is included in the GREP Contracts 2 agreement that is the subject of this filing.¹⁶ In Order No. 43, the Commission assigned all negotiated service agreement (NSAs) concerning outbound international mail to the competitive category. 17 All GREP Contracts agreements, regardless of whether they may be classified as a single product or individually, are NSAs concerning outbound international mail. Therefore, there is no further need to ponder whether GREP Contracts 2 agreement, as defined by the proposed MCS language, are market dominant or covered within the postal monopoly. To the extent that the Commission believes the additional considerations listed in 39 U.S.C. § 3642(b)(3) are addressed by Mr. Cebello's Statement of Supporting Justification. Because all of section 3642's criteria for classification have been met, the Postal Service respectfully urges the Commission to act promptly by adding this product to the competitive products list as requested.

IV. Application for Non-Public Treatment

The Postal Service maintains that certain portions of Governors' Decision No. 11-6, the certified statement required by 39 C.F.R. § 3015.5(c)(2), the GREP Contracts 2 agreement that is the subject of this docket, and the financial workpapers for the contract that is the subject of this docket should remain confidential. As Attachment 1 to

¹⁵ See Request of the United States Postal Service to Add Global Reseller Expedited Package Contracts to the Competitive Products List, and Notice of Filing (Under Seal) of Contract and Enabling Governors' Decision, Docket Nos. MC2010-21 and CP2010-36, March 29, 2010, at 4.

¹⁶ Request of the United States Postal Service to Transfer Outbound Single-Piece First-Class Mail International Packages and Rolls to the Competitive Product List, Docket No. MC2012-44, August 10, 2012, Statement of Supporting Justification, Attachment B. ¹⁷ PRC Order No. 43, Order Establishing Ratemaking Regulations for Market Dominant and Competitive

Products, Docket No. RM2007-1, App. A, at 9, 11.

this Request and Notice, the Postal Service files its application for nonpublic treatment of materials filed under seal. The application for non-public treatment attached to this notice addresses the redactions to those materials. A full discussion of the requested elements of the application appears in Attachment 1.

Conclusion

For the reasons discussed, and based on the financial data filed under seal, the Postal Service has established that this GREP Contracts 2 agreement is in compliance with the requirements of 39 U.S.C. § 3633, fit within the proposed, revised Mail Classification Schedule (MCS) language for GREPS Contracts included in Attachment 2B, as authorized by Governors' Decision No. 11-6. Accordingly, the Postal Service requests that GREP Contracts 2 be added to the competitive product list, that the contract included in this filing be included within the GREP Contracts 2 product, and that the contract included in this filing be considered the baseline agreement for future functional equivalency analyses for the GREP Contracts 2 product.

Respectfully submitted,

UNITED STATES POSTAL SERVICE By its attorneys:

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ATTACHMENT 1

APPLICATION OF THE UNITED STATES POSTAL SERVICE FOR NON-PUBLIC TREATMENT OF MATERIALS

In accordance with 39 C.F.R. § 3007.21, the United States Postal Service (Postal Service) hereby applies for non-public treatment of certain materials filed with the Commission in these dockets. The materials pertain to a request to add Global Reseller Expedited Package Contracts 2 to the competitive products list and a notice of a Global Reseller Expedited Package (GREP) 2 contract. The contract and supporting documents establishing compliance with 39 U.S.C. § 3633 and 39 C.F.R. § 3015.5 are being filed separately under seal with the Commission. Redacted copies of the related Governors' Decision (which authorizes management to prepare any necessary product description of nonpublished competitive services, including text for inclusion in the MCS and to present such matter for review by the Commission), a certified statement required by 39 C.F.R. § 3015.5(c)(2) concerning the contract, and the contract are filed with the Notice as Attachments 2A, 2C, and 3, respectively.¹

The Postal Service hereby furnishes the justification required for this application by 39 C.F.R. § 3007.21(c) below.

(1) The rationale for claiming that the materials are non-public, including the specific statutory basis for the claim, and a statement justifying application of the provision(s);

Information of a commercial nature, which under good business practice would not be publicly disclosed, as well as third party business information, is not required to

¹ The Postal Service informed the customer prior to filing its notice that it would be seeking non-public treatment of the redacted portions of each contract. The Postal Service also informed the customer that it could file its own application for non-public treatment of these materials in accordance with 39 C.F.R. § 3007.22.

be disclosed to the public. 39 U.S.C. § 410(c)(2); 5 U.S.C. § 552(b)(3) and (4). The Commission may determine the appropriate level of confidentiality to be afforded to such information after weighing the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of a government establishment competing in commercial markets. 39 U.S.C. § 504(g)(3)(A).² Because the portions of materials filed non-publicly in this docket fall within the scope of information not required to be publicly disclosed, the Postal Service asks the Commission to support its determination that these materials are exempt from public disclosure and grant its application for their non-public treatment.

(2) Identification, including name, phone number, and e-mail address for any third party who is known to have a proprietary interest in the materials, or if such an identification is sensitive, contact information for a Postal Service employee who shall provide notice to that third party;

In the case of this GREP Contracts 2 agreement, the Postal Service believes that the third party with a proprietary interest in the materials is the customer with whom the contract is made.³ The Postal Service maintains that customer identifying information

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² The Commission has indicated that "likely commercial injury" should be construed broadly to encompass other types of injury, such as harms to privacy, deliberative process, or law enforcement interests. PRC Order No. 194, Second Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, Mar. 20, 2009, at 11.

However, other postal operators can be considered to have a proprietary interest in some rate information in the financial workpapers included with this filing. The Postal Service maintains that such information should be withheld from public disclosure. In view of the practical difficulties, the Postal Service has not undertaken to inform all affected postal operators about the nature and scope of this filing and about the ability to address any confidentiality concerns directly with the Commission as provided in 39 C.F.R. § 3007.20(b). Due to language and cultural differences as well as the sensitive nature of the Postal Service's rate relationship with the affected foreign postal operators, the Postal Service proposes that a designated Postal Service employee serve as the point of contact for any notices to the relevant postal operators. The Postal Service identifies as an appropriate contact person Guadalupe Contreras. EMS Manager, International Postal Relations. Ms. Contreras' phone number is (202) 268-4598, and her email address is quadalupe.n.contreras@usps.gov. The Postal Service acknowledges that 39 C.F.R. § 3007.21 (c)(2) appears to contemplate only situations where a third party's identification is "sensitive" as permitting the designation of a Postal Service employee who shall act as an intermediary for notice purposes. To the extent that the Postal Service's filing in the absence of actual notice might be construed as beyond the scope of the Commission's rules, the Postal Service respectfully requests a waiver that would allow it to forgo providing a notice to each postal operator, and to designate a Postal Service

should be withheld from public disclosure. Therefore, rather than identifying the customer of the contract under consideration, the Postal Service gives notice that it has already informed the customer, in compliance with 39 C.F.R. § 3007.20(b), of the nature and scope of this filing and its ability to address its confidentiality concerns directly with the Commission. The Postal Service employee responsible for providing notice to the third party with proprietary interest in the materials filed in this docket is Mr. James J. Crawford, Business Development Specialist, Global Business, United States Postal Service, Room 2P020, Washington, DC 20260-0020, whose email address is james.j.crawford@usps.gov, and whose telephone number is 202-268-7714.

(3) A description of the materials claimed to be non-public in a manner that, without revealing the materials at issue, would allow a person to thoroughly evaluate the basis for the claim that they are non-public;

In connection with the Notice filed by the Postal Service in this docket, the Postal Service included a GREP contract, financial workpapers, and a statement certifying that the agreement should meet the requirements of 39 U.S.C. § 3633(a). These materials were filed under seal, with redacted copies filed publicly, after notice to the customer. The Postal Service maintains that the redacted portions of the GREP contract, related financial information, and identifying information concerning a GREP competitive contract customer should remain confidential.

With regard to the GREP competitive contract filed in this docket, the redactions on page 1, and to the footers of each page, Article 27, and the signature block of the contract constitute the name or address of postal patrons whose identifying information

employee as the contact person under these circumstances, since it is impractical to communicate with dozens of operators in multiple languages about this matter.

may be withheld from mandatory public disclosure by virtue of 39 U.S.C. § 504(g)(1) and 39 U.S.C. § 410(c)(2).

The redactions to Articles 7, 8, and 14 protect information with specific impact on the customer, including the customer's commitment to the Postal Service, penalties in the event that the customer does not achieve its postage commitment, the timing and manner in which the Postal Service might change prices under the contract, and the relationship of this agreement to other agreements.

The redactions applied to the financial workpapers protect commercially sensitive information such as underlying costs and assumptions, pricing formulas, information relevant to the customer's mailing profile, and cost coverage projections. To the extent practicable, the Postal Service has limited its redactions in the workpapers to the actual information it has determined to be exempt from disclosure under 5 U.S.C. § 552(b). However, in a limited number of cases, narrative passages, such as words or numbers in text, were replaced with general terms describing the redacted material.

The Postal Service anticipates that the Commission will request the Postal Service to file cost, volume and revenue data associated with the agreement after the expiration of this agreement. When the Postal Service files the data that will show the actual revenue and cost coverage of the customer's completed contract, the Postal Service will redact in its public filing all of the values included that are commercially sensitive information and will also protect any customer identifying information from disclosure.

(4) Particular identification of the nature and extent of commercial harm alleged and the likelihood of such harm;

If the portions of the contract that the Postal Service determined to be protected from disclosure due to their commercially sensitive nature were to be disclosed publicly, the Postal Service considers that it is quite likely that it would suffer commercial harm.

First, revealing customer identifying information would enable competitors to focus marketing efforts on current postal customers which have been cultivated through the efforts and resources of the Postal Service. The Postal Service considers that it is highly probable that if this information were made public, its competitors would take immediate advantage of it. The GREP competitive contracts include a provision allowing the Reseller to terminate its contract without cause by providing at least 30 days' notice. Therefore, there is a substantial likelihood of the Postal Service losing customers to a competitor that targets customers of the Postal Service with lower pricing.

Other redacted information in each contract includes negotiated contract terms, such as the minimum revenue commitment agreed to by the customer, the penalty in the event the customer does not achieve the minimum revenue commitment, and the percentage of cost increase that may trigger a consequential price increase. This information is commercially sensitive, and the Postal Service does not believe that it would be disclosed under good business practices. Competitors could use the information to assess the offers made by the Postal Service to its customers for any possible comparative vulnerabilities and could focus sales and marketing efforts on those areas, to the detriment of the Postal Service. Additionally, other potential customers could use the information to their advantage in negotiating the terms of their

own agreements with the Postal Service. The Postal Service considers these to be highly probable outcomes that would result from public disclosure of the redacted material.

The financial workpapers filed with this notice include specific information such as costs, assumptions used in pricing formulas, the formulas themselves, mailer profile information, projections of variables, contingency rates included to account for market fluctuations and the exchange risks. Similar information may be included in the cost, volume and revenue data associated with the agreement that the Commission may require the Postal Service to file after the expiration of this agreement. All of this information is highly confidential in the business world. If this information were made public, the Postal Service's competitors would have the advantage of being able to determine the absolute floor for Postal Service pricing. Unlike its competitors, the Postal Service is required by the Mail Classification Schedule to demonstrate that each negotiated agreement within this group covers its attributable costs. Furthermore, the Postal Service's Governors have required that each contract be submitted to the Commission with a notice that complies with 39 C.F.R. § 3015.5. Competitors could take advantage of the information to offer lower pricing to GREP competitive contract customers, while subsidizing any losses with profits from other customers. Eventually, this could freeze the Postal Service out of the relevant market. Given that these spreadsheets are filed in their native format, the Postal Service's assessment is that the likelihood that the information would be used in this way is great.

Potential customers could also deduce from the rates provided in the contract, from the information in the workpapers, or from the cost, volume and revenue data that

the Commission may require the Postal Service to file after the agreement's expiration, whether additional margin for net profit exists between the contract and the contribution that GREP competitive contracts must make. From this information, each customer could attempt to negotiate ever-increasing incentives, such that the Postal Service's ability to negotiate competitive yet financially sound rates would be compromised. Even customers involved in GREP competitive contracts could use the information in the workpapers, or the cost, volume and revenue data associated with the expired agreement, in an attempt to renegotiate their own rates, threatening to terminate their current agreements, although the Postal Service considers this to be less likely than the risks previously identified.

Price information in the contract, the financial spreadsheets, and any cost, volume and revenue data concerning the contract filed after the agreement's expiration consists of sensitive commercial information of the customer. Disclosure of such information could be used by competitors of the customer to assess the customer's underlying costs, and thereby develop a benchmark for the development of a competitive alternative.

(5) At least one specific hypothetical, illustrative example of each alleged harm; Identified harm: Revealing customer identifying information would enable competitors to target the customers for sales and marketing purposes.

Hypothetical: The identity of the customer in this contract is revealed to the public.

Another delivery service has an employee monitoring the filing of GREP competitive contracts and passing along the information to its sales function. The competitor's sales representatives could quickly contact the Postal Service's customer and offer the

customer lower rates or other incentives to terminate its contract with the Postal Service in favor of using the competitor's services.

Identified harm: Public disclosure of negotiated terms of the agreements could be used by competitors and potential customers to the Postal Service's detriment.

Hypothetical: Customer A signs a GREP competitive contract that is filed with the Postal Regulatory Commission. At the same time, Customer B is considering signing a GREP competitive contract and has no real concern about the penalty provision, which calls for Customer B to pay up to \$10,000 in penalties if it fails to meet its minimum volume commitment before termination of the agreement. The information about Customer A's penalty provision is made public. Customer A's agreement calls for a \$5,000 maximum payment as penalty. Customer B sees the information. Customer B then insists that it will not agree to be obligated to pay any more than Customer A was obligated to pay, diminishing the Postal Service's bargaining leverage. The same rationale applies to commitment levels and price adjustment terms.

Identified harm: Public disclosure of the pricing included in the agreement would provide potential customers extraordinary negotiating power to extract lower rates.

Hypothetical: Customer A's negotiated rates are disclosed publicly on the Postal Regulatory Commission's website. Customer B sees the rates and determines that there may be some additional profit margin between the rates provided to Customer A and the statutory cost coverage that the Postal Service must produce in order for the

agreement to be added to the competitive products list. Customer B, which was offered rates identical to those published in Customer A's agreement, then uses the publicly available rate information to insist that Customer B must receive lower rates than those the Postal Service has offered it, or Customer B will not use the Postal Service for its expedited package service delivery needs.

Alternatively, Customer B attempts to extract lower rates only for those destinations for which Customer B believes that the Postal Service is the low-cost provider among all service providers. The Postal Service may agree to this demand in order to keep the customer's business overall, which the Postal Service believes will still satisfy total cost coverage for the agreement. Then, the customer uses other providers for destinations that are different than those for which the customer extracted lower rates. This impacts the Postal Service's overall projected cost coverage for the agreement, such that the Postal Service no longer meets its cost coverage requirement. Although the Postal Service could terminate the contract when the Postal Service first recognizes that the customer's practice and projected profile are at variance, the costs associated with establishing the contract, including filing it with the Postal Regulatory Commission, would be sunk costs that would have a negative impact on the GREP competitive contract product overall.

Identified harm: Public disclosure of information in the financial workpapers would be used by competitors and customers to the detriment of the Postal Service.

Hypothetical: A competing delivery service obtains a copy of the unredacted version of the financial workpapers from the Postal Regulatory Commission's website. The

competing delivery service analyzes the workpapers to determine what the Postal Service would have to charge its customers in order to meet the Postal Service's minimum statutory obligations for cost coverage and contribution to institutional costs. The competing delivery service then sets its own rates for products similar to what the Postal Service offers its GREP competitive contract customers under that threshold and markets its ability to guarantee to beat the Postal Service on price. By sustaining this below-market strategy for a relatively short period of time, the competitor, or all of the Postal Service's competitors acting in a likewise fashion, would freeze the Postal Service out of the business-to-business and customer-to-business services markets for which the GREP competitive contract product is designed.

Identified harm: Public disclosure of information in the contract and the financial workpapers would be used by the customer's competitors to its detriment.

Hypothetical: A firm competing with the customer obtains a copy of the unredacted version of the contract and financial workpapers from the Postal Regulatory Commission's website. The competitor analyzes the prices and the workpapers to assess the customer's underlying costs, volumes, and volume distribution for the corresponding delivery products. The competitor uses that information to (i) conduct market intelligence on the customer's business practices and (ii) develop lower-cost alternatives using the customer's costs as a baseline.

Identified harm: Public disclosure of any cost, volume and revenue data concerning this agreement that the Commission may require the Postal Service to file after the contract's expiration would give competitors a marketing advantage.

Hypothetical: A competitor could use any cost, volume and revenue data associated with this agreement, which the Commission may require the Postal Service to file in this docket after this agreement's expiration, to "qualify" potential customers. The competitor might focus its marketing efforts only on customers that have a certain mailing profile, and use information in the performance report to determine whether a customer met that profile.

(6) The extent of protection from public disclosure deemed to be necessary;

The Postal Service maintains that the redacted portions of the materials filed non-publicly should be withheld from persons involved in competitive decision-making in the relevant market for parcel and expedited services, as well as their consultants and attorneys. Additionally, the Postal Service believes that actual or potential customers of the Postal Service for this or similar products should not be provided access to the non-public materials.

(7) The length of time deemed necessary for the non-public materials to be protected from public disclosure with justification thereof;

The Commission's regulations provide that non-public materials shall lose non-public status ten years after the date of filing with the Commission, unless the Commission or its authorized representative enters an order extending the duration of that status. 39 C.F.R. § 3007.30.

(8)	Any other	factors or	reasons	relevant to	support the	application.
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None.

Conclusion

For the reasons discussed, the Postal Service asks that the Commission grant its application for non-public treatment of the identified materials.

DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON THE ESTABLISHMENT OF PRICES AND CLASSIFICATIONS FOR DOMESTIC COMPETITIVE AGREEMENTS, OUTBOUND INTERNATIONAL COMPETITIVE AGREEMENTS, AND OTHER NON-PUBLISHED COMPETITIVE RATES (GOVERNORS' DECISION NO. 11-6)

March 22, 2011

STATEMENT OF EXPLANATION AND JUSTIFICATION

Pursuant to our authority under section 3632 of title 39, as amended by the Postal Accountability and Enhancement Act of 2006 ("PAEA"), we establish new prices not of general applicability for certain of the Postal Service's competitive service offerings, and such changes in classification as are necessary to implement the new prices.

This decision establishes prices for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates. Domestic Competitive Agreements consist of negotiated service agreements with Postal Service customers for domestic services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Outbound International Competitive Agreements consist of negotiated service agreements with Postal Service customers for outbound international services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Inbound International Competitive Agreements consist of negotiated service agreements with foreign postal operators or other entities for inbound international services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Other Non-Published Competitive Rates consist of rates not of general applicability that are not embodied in contractual instruments, but nonetheless arise from other sources, such as the Universal Postal Convention.

Governors' Decision No. 11-6

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With respect to any product within the above categories, management is hereby authorized to prepare any necessary product description, including text for inclusion in the Mail Classification Schedule, and to present such product description to the Postal Regulatory Commission.

The Postal Accountability and Enhancement Act (PAEA) requires that prices for competitive products must cover each product's attributable costs, not result in subsidization by market dominant products, and enable all competitive products to contribute an appropriate share to the Postal Service's institutional costs. For agreements subject to this Decision, there are hereby established all prices that will cover costs for the relevant product and that conform in all other respects to 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7. As discussed in the accompanying management analysis, the Chief Financial Officer (or his delegee(s)) shall certify that all cost inputs have been correctly identified for prices subject to this Decision and that all prices subject to this Decision conform to this Decision and to the requirements of the PAEA.

No agreement, grouping of functionally equivalent agreements, or other classification authorized pursuant to this Decision may go into effect unless it is submitted to the Postal Regulatory Commission with a notice that complies with 39 U.S.C. § 3632(b)(3). On a quarterly basis, management shall furnish the Governors with a report on all non-published rate and classification initiatives. Not less than once each year, the Governors shall review the basis for this Decision and make such further determination as they may deem necessary. This Decision does not affect postal management's obligation to furnish to the Board of Governors information regarding any significant, new program, policy, major modification, or initiative, or any other matter under 39 C.F.R. § 3.7(d), including where such a matter also falls within the scope of this Decision.

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This Decision does not supersede or otherwise modify Governors' Decision Nos. 08-5, 08-6, 08-7, 08-8, 08-10, 08-20, 08-24, 09-5, 09-6, 09-7, 09-14, 09-15, 09-16, 10-1, 10-2, 10-3, 10-6, and 10-7, nor does it affect the validity of prices and classifications established under those Decisions. Management may also continue to present to the Postal Regulatory Commission for its review, as appropriate, rate and classification changes to succeed the minimum and maximum non-published rates in Decision Nos. 10-2 and 10-6.

ORDER

In accordance with the foregoing Decision of the Governors, the prices set forth herein for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates and the changes in classification necessary to implement those prices, are hereby approved and ordered into effect. An agreement is authorized under this Decision only if the prices fall within this Decision and the certification process specified herein is followed. Prices and classification changes established pursuant to this Decision will take effect after filing with and completion of review by the Postal Regulatory Commission.

By The Governors:

Louis J. Giuliano

Chairman

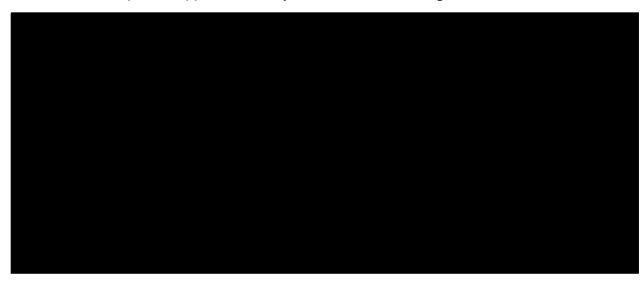
Attachment A

Management Analysis of Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates

This analysis concerns the inbound competitive prices and classifications in the Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates (collectively, "competitive instruments"). Competitive instruments are often negotiated with customers and foreign postal operators for better cost coverage, higher overall contribution, and improved service with respect to postal services classified as competitive. They may also arise from other sources, such as the Universal Postal Convention.

the cost coverage for each competitive agreement or grouping of functionally equivalent struments (collectively, each "product") will be	lent
he cost coverage for a product equals	

Each competitive instrument may have multiple price categories and negotiated components. Examples of such categories or components would be Priority Mail, Express Mail, Parcel Return Service, Priority Mail International, Express Mail International, International Priority Airmail, International Surface Air Lift, Inbound Air Parcel Post, Inbound Surface Parcel Post, Inbound Direct Entry, and Inbound International Expedited Services. These or other categories may include other services that the relevant customer or foreign postal operator offers to its customers under differing terms, but that nevertheless are processed and delivered in the same manner within the United States Postal Service's network. Such instruments may also establish negotiated rates for services ancillary to such items and for customized competitive services developed for application solely in the context of the agreement.





Prices established by these formulas should not interfere with competitive products' ability as a whole to comply with 39 U.S.C.§ 3633(a)(3), which, as implemented by (39 C.F.R.§ 3015.7(c)) requires competitive products to contribute a minimum of 5.5 percent to the Postal Service's total institutional costs. Accordingly, no issue of subsidization of competitive products by market dominant products should arise (39 U.S.C.§ 3633(a)(1)).

Date: 3/22/20/1

CERTIFICATION OF GOVERNORS' VOTE IN THE GOVERNORS' DECISION NO. 11-6

I hereby certify that the Governors voted on adopting Governors' Decision No. 11-6, and that, consistent with 39 USC 3632(a), a majority of the Governors then holding office concurred in the Decision.

Julie S. Moore

Secretary of the Board of Governors

2510.7 Global Reseller Expedited Package Contracts

2510.7.1 Description

- a. Global Reseller Expedited Package Contracts provide discounted prices to a reseller for Express Mail International (EMI), and/or Priority Mail International (PMI), and Outbound Single-Piece First-Class Package International Service (FCPIS) for destinations serviced by Express Mail International and Priority Mail International EMI, PMI, and FCPIS. The reseller offers prices based on its contract to its customer (reseller's customers).
- b. Preparation requirements are the same as for all Express Mail International and/or Priority Mail International EMI, PMI, and FCPIS shipments with the following exceptions:
 - The reseller's customers are required to use PC Postage from an authorized PC Postage vendor for payment of postage.
 - The reseller's customers may be required to prepare specific shipments according to country specific requirements.
 - The reseller's customers may be required to tender shipments through limited acceptance channels.
- c. The reseller must be capable of either tendering at least 5,000 pieces on international mail to the Postal Service, or paying at least \$100,000.00 in international postage to the Postal Service
- d. For a reseller to qualify, the contract must cover its attributable costs.

2510.7.2 Size and Weight Limitations

Express Mail International

	Length	Height	Thickness	Weight
Minimum	none	none	none	See Note 1
Maximum	36 inches			
	79 inches in combined length and girth			

Notes

1. Country-specific restrictions may apply as specified in the International Mail Manual.

Priority Mail International

	Length	Height	Thickness	Weight
Minimum ²	5.5 inches	none	3.5 inch	none
Maximum	42 inches			70 pounds
	79 inches in combined length and girth			

Notes

- 1. Weight and other exceptional size limits based on shape and destination country restrictions may apply as specified in the International Mail Manual.
- 2. Items must be large enough to accommodate postage, address and other required elements on the address side.

Outbound Single-Piece First-Class Package International Service

Packages (Small Packets)

	Length	Height	Thickness	Weight
Minimum	large enough to accommodate postage, address, and other required elements on the address side			none
Maximum	24 inches			4 pounds
	Length plus height plus thickness of 36 inche			

Rolls

	Length	Length plus twice the diameter	Weight
Minimum	4 inches	6.75 inches	none
Maximum	36 inches	42 inches	4 pounds

2510.7.3 Minimum Volume or Revenue Requirements

The reseller must commit to varying minimum volumes or postage of Express Mail International, Priority Mail International, or both, EMI, PMI, and/or FCPIS, on a quarterly or annualized basis.

2510.7.4 Price Categories

The incentives are based on the volume or revenue commitment above a specified cost floor.

The following price categories are available for the product specified in this section:

- Global Reseller Expedited Package Contracts Express Mail International
- Global Reseller Expedited Package Contracts Priority Mail International
- Global Reseller Expedited Package Contracts Outbound Single-Piece First-Class Package International Service

2510.7.5 Optional Features

The following additional postal services may be available in conjunction with the product specified in this section:

- Pickup On Demand Service: <u>EMI and PMI only</u>
- International Ancillary Services (2615)
 - International Certificate of Mailing: <u>FCPIS</u>, PMI Flat Rate Envelopes, <u>PMI</u> <u>Small Letter Post Flat Rate Boxes</u>, <u>PMI parcels purchased without</u> <u>insurance</u> only (2615.1)
 - o International Insurance: <u>EMI merchandise</u>, <u>PMI parcels</u>, <u>PMI Large and Medium Flat Rate Boxes only</u> (2615.5)
 - Outbound Competitive International Registered Mail: <u>FCPIS</u>, PMI Flat Rate Envelopes and Small Letter Post Flat Rate Boxes only (2615.2)
 - o International Return Receipt (2615.3): <u>subject to availability in the destination country for registered FCPIS, PMI Flat Rate Envelopes, PMI Small Letter Post Flat Rate Boxes, and insured PMI parcels only.</u>

2510.7.6 Products Included in Group (Agreements)

Each product is followed by a list of agreements included within that product.

Global Reseller Expedited Package Services 1
 Baseline Reference

Docket Nos. MC2010-21 and CP2010-36

PRC Order No. 445, April 22, 2010

Included Agreements

CP2011-1, expires November 30, 2013

CP2011-55, expires February 16, 2016

CP2012-14, expires June 30, 2014

CP2012-21, expires TBD

CP2013-20, expires January 26, 2014

CP2013-49, expires TBD

• Global Reseller Expedited Package Services 2

Statement of Supporting Justification

- I, Frank Cebello, Executive Director, Global Business Management, am sponsoring the Request that the Commission add Global Reseller Expedited Package (GREP) Contracts 2 filed in Docket Nos. MC2013-51 and CP2013-64 to the competitive products list for prices not of general applicability. The proposed revised Mail Classification Schedule (MCS) language for GREP Contracts describes the requirements for this type of contract. My statement supports the United States Postal Service's (Postal Service's) Request by providing the information required by each applicable subsection of 39 C.F.R. § 3020.32. I attest to the accuracy of the information contained herein.
- (a) Demonstrate why the change is in accordance with the policies and applicable criteria of the Act.

As demonstrated below, the change complies with the applicable statutory provisions.

(b) Explain why, as to market dominant products, the change is not inconsistent with each requirement of 39 U.S.C. § 3622(d), and that it advances the objectives of 39 U.S.C. § 3622(b), taking into account the factors of 39 U.S.C. § 3622(c).

Not applicable. The Postal Service is proposing that GREP Contracts 2 be added to the competitive products list. Other functionally equivalent contracts would be added to the list as price categories under the GREP Contracts 2 listing.

(c) Explain why, as to competitive products, the addition, deletion, or transfer will not result in the violation of any of the standards of 39 U.S.C. § 3633.

Governors' Decision No. 11-6 authorized Postal Service management to prepare, for any product within the Outbound International Competitive Agreement grouping, a product description, including text for inclusion in the MCS, and present such product description to the Commission. The product description for GREP Contracts 2 is set forth in Attachment 2B, which establishes the prices and classification for GREP Contracts 2 agreements.

Adding GREP Contracts 2 to the competitive product list will improve the Postal Service's competitive posture, while enabling the Commission to verify that each contract covers its attributable costs and that each contract makes a positive contribution to coverage of institutional costs. This contract, along with each contract that is functionally equivalent to this contract, will increase contribution toward the requisite 5.5 percent of the Postal Service's total institutional costs paid for by competitive products. Accordingly, no issue of subsidization of competitive products by market dominant products arises.

(d) Verify that the change does not classify as competitive a product over which the Postal Service exercises sufficient market power that it can, without risk of losing a significant level of business to other firms offering similar products: (1) set the price of such product substantially above costs, (2) raise prices significantly; (3) decrease quality; or (4) decrease output.

GREP Contracts 2 are for U.S.-based entities that seek a channel to offer discounted rates to their customers for Express Mail International, Priority Mail International, and/or First-Class Package International Service for destinations

served by Express Mail International, Priority Mail International, and/or First-Class Package International Service.

When negotiating GREP Contracts 2 agreements, the Postal Service's bargaining position is constrained by the existence of other providers of similar services. As such, the market precludes the Postal Service from taking unilateral action to increase prices or decrease service. The Postal Service may not decrease quality or output without risking the loss of business to large competitors that offer similar international delivery services. The relevant market also does not allow the Postal Service to raise prices or offer prices substantially above costs; rather, the contracts are premised on prices that provide sufficient incentive for customers to ship with the Postal Service rather than a competitor. If the Postal Service were to raise these prices, it risks losing these customers to a private competitor in the international shipping industry.

(e) Explain whether or not each product that is the subject of the request is covered by the postal monopoly as reserved to the Postal Service under 18 U.S.C. § 1696, subject to the exceptions set forth in 39 U.S.C. § 601.

As defined in the proposed revised Mail Classification Schedule language authorized by Governors' Decision No. 11-6, GREP Contracts 2 items consist of Express Mail International, Priority Mail International, and First-Class Package International Service items that fall outside the scope of the Private Express Statutes. The shipping of merchandise which is outside of the definition of "letters" using Express Mail International and/or Priority Mail International is not subject to the Private Express Statutes. Furthermore, any "letters" as defined by 39 C.F.R. § 310.1(a) that are inserted in such items would likely fall within the

suspensions or exceptions to the Private Express Statutes. For instance, the rates at issue here exceed the scope of the reserved area in 39 U.S.C. § 601. In addition, First-Class Package International Service is outside the scope of letter monopoly under existing regulations as the letter monopoly was suspended in 1986 with respect to outbound international letters.¹

(f) Provide a description of the availability and nature of enterprises in the private sector engaged in the delivery of the product.

See part (d) above. Private consolidators, freight forwarders, and integrators also offer international shipping arrangements whereby they provide analogous delivery services under similar conditions.

(g) Provide any available information on the views of those who use the product on the appropriateness of the proposed modification.

As discussed in part (d) above, the customer for this GREP Contract 2 agreement is a business that markets Express Mail International, Priority Mail International, and First-Class Package International Service at discounted prices to its customers, especially small and medium-sized business. The fact that the customer executed the contract for this service indicates that this customer finds this type of product to be preferable to similar products offered by the Postal Service's competitors. This customer is presumably aware that competitive services are provided by other entities. However, no specific data are available

¹ See Request of the United States Postal Service to Transfer Outbound Single-Piece First-Class Mail International Packages and Rolls to the Competitive Product List, Docket No. MC2012-44, August 10, 2012, Attachment B, at 3.

to the Postal Service on GREP customer views regarding the regulatory classification of these contracts.

(h) Provide a description of the likely impact of the proposed modification on small business concerns.

The market for international delivery services comparable to the services offered under a GREP Contracts 2 agreement is highly competitive. Therefore, addition of GREP Contracts 2 will likely have little, if any, impact upon small business concerns. Large shipping companies, consolidators, and freight forwarders serve this market, particularly with respect to the type of customers represented by these GREP contracts; the Postal Service is unaware of any small business concerns that could offer comparable service for these volumes.

By offering GREP contracts, the Postal Service is giving small businesses an additional option for shipping articles internationally, beyond the services offered by competitors. Thus, the net impact on small businesses is positive, because of the absence of negative impact on small business competitors and the positive impact on the small businesses that will have these services available.

(i) Include such other information, data, and such statements of reasons and bases, as are necessary and appropriate to fully inform the Commission of the nature, scope, significance, and impact of the proposed modification.

The customer eligibility criteria contained in the proposed MCS language for GREP contracts are consistent with those proposed for the previously filed customized agreement product classifications. Resellers who are GREP customers meet capability requirements consisting of at least 5,000 pieces of

international mail to the Postal Service or paying at least \$100,000 in international postage to the Postal Service. As with other customized agreements, each GREP contract must cover its attributable costs.

GLOBAL CUSTOMIZED MAIL AGREEMENT BETWEEN THE UNITED STATES POSTAL SERVICE AND

This Agreement ("Agreement") is between and corporation organized and existing under the laws of offices at and the United States Postal Service ("USPS"), an independent establishment of the Executive Branch of the United States Government, with offices at 475 L'Enfant Plaza SW, Washington, DC 20260-9998. The Reseller and the USPS may be referred to individually as a "Party" and together as the "Parties."

INTRODUCTION

WHEREAS, the Parties desire to enter into a non-exclusive relationship whereby the USPS will provide certain products and/or services to the Reseller pursuant to the terms and conditions contained herein:

WHEREAS, the Parties acknowledge and understand that the commencement of performance under this Agreement is subject to the approval of various entities with oversight responsibilities, which may include but not be limited to the USPS management's executive committee, the USPS Governors, and/or the Postal Regulatory Commission. Accordingly, the Reseller acknowledges and understands that the ability of the USPS to perform under this Agreement may not occur;

WHEREAS, in light of the aforementioned acknowledgements, the Parties desire to be bound by the terms of this Agreement;

NOW, THEREFORE, in consideration of the mutual promises set forth below, the Parties hereby agree as follows:

ARTICLE 1. PURPOSE OF THE AGREEMENT

This Agreement shall govern the use the Reseller may make of discounted prices for Express Mail International, Priority Mail International, and First-Class Package International Service.

ARTICLE 2. DEFINITIONS

As used in this Agreement:

- 1. "IMM" means the *International Mail Manual* as found on the USPS website pe.usps.com on the date of mailing.
- 2. "DMM" means the *Domestic Mail Manual* as found on the USPS website pe.usps.com on the date of mailing.
- "Effective Date" means the first date on which the USPS is willing to accept Qualifying Mail.

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- "PC Postage Provider" means any one of the USPS-authorized providers of software-based solutions for managing postage accounts listed in DMM 604.4.1.4.
- "Qualifying Mail" means mail that meets the requirements set forth in Article 3 of this Agreement.
- "Non-Qualifying Mail" means mail that does not meet the requirements set forth in Article 3 of this Agreement.



ARTICLE 3. QUALIFYING MAIL

Only mail that meets the requirements set forth in IMM 220 for Express Mail International, in IMM 230 for Priority Mail International, and in IMM 250 for First-Class Package International shall be considered as Qualifying Mail, with the exception of:

- Any item destined for any country included in Country Group E-1 under Supplement No. 1 to Title 15, Code of Federal Regulations, Part 740;
- b. Any item addressed to persons or entities identified on the Office of Foreign Assets Control's (OFAC's) Specially

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Designated Nationals List or the Bureau of Industry and Security (BIS's) Denied Persons and Entity List;

- Any item tendered on behalf of third parties or entities identified on OFAC's Specially Designated Nationals List, BIS's Denied Persons and Entity Lists; and
- d. Express Mail International and Priority Mail International flat-rate envelopes and boxes.

ARTICLE 4. NON-QUALIFYING MAIL

Express Mail International, Priority Mail International, and First-Class Package International Service tendered to the USPS at a Bulk Mail Entry Unit or a USPS retail window shall be considered Non-Qualifying Mail. The USPS, at its option and without forfeiting any of its rights under this Agreement, either may refuse to accept Non-Qualifying Mail or may accept Non-Qualifying Mail at the applicable published prices.

ARTICLE 5. OBLIGATIONS OF THE USPS

The USPS hereby agrees:

- Postage. To provide discounted prices for Qualifying Mail paid for and tendered as required by this Agreement.
- Notice of Postage Due. To provide the Reseller with a statement to support the calculation of postage due to the USPS as a result of discrepancies between the PC postage applied by Reseller's Designated Customers sending Qualifying Mail and the actual postage due to the USPS under this Agreement.
- 3. <u>Confidentiality</u>. To seek non-public treatment of information it determines to be eligible for protection from public disclosure when it files the Agreement and any subsequent reports or information pertaining to the Agreement with the Postal Regulatory Commission.

ARTICLE 6. OBLIGATIONS OF THE RESELLER

The Reseller hereby agrees:

- 1. Prices Offered by Reseller to Reseller's Designated Customers. Subject to the conditions of this Agreement, the Reseller has the right to offer the Reseller's Designated Customers the prices for Qualifying Mail set forth in Annexes 2, 4, 6, 8, 10, and 12 of this Agreement. In no case shall the price the Reseller offers Reseller's Designated Customers be higher than the prices represented in Annexes 2, 4, 6, 8, 10, and 12
- Payment to USPS Method. To pay postage to the USPS for Qualifying Mail in accordance with the prices set forth in Annexes 1, 3, 5, 7, 9, and

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11 of this Agreement, through the intermediary of a USPS-approved PC Postage Provider of the Reseller's choosing provided that the PC Postage Provider is listed as approved in DMM 604.4.1.4 and capable of programming rates based on this instrument and capable of complying with USPS reporting requirements related to this Agreement, as well as other obligations, such as the requirement to furnish electronic customs information under paragraph 5 of this Article. The Reseller further agrees to use only one USPS-approved PC Postage Provider at a time. Subject to the approval of the USPS, the Reseller may change from one PC Postage Provider to another under the terms of Paragraph 3 below.

- Advance Notification. To provide, as stated in Article 27,
 - a. The Manager, Customized Mail, USPS, with notification of the USPS- approved PC Postage Provider the Reseller intends to use at least fifteen days in advance of the first use of the PC Postage Provider in connection with this Agreement.
 - b. The Manager, Customized Mail, USPS, with notification of the Reseller's intent to change PC Postage Providers and the name of the new PC Postage Provider the Reseller intends to use at least fifteen days in advance of the effective date of the change from one PC Postage Provider to another.
 - c. The Manager, Customized Mail, USPS, with any and all relevant information required to identify a particular sender tendering Qualifying Mail to the USPS under the pricing terms of this Agreement, as quickly as possible after the relevant information has been determined.
 - d. The Manager, Customized Mail, USPS, with notice that the Reseller plans to tender Qualifying Mail under this Agreement that requires a license from OFAC, BIS, or the U.S. Department of State. Such notice must be provided no less than ten (10) days prior to tender.
- 4. <u>Tender</u>. To require that the Reseller's Designated Customers present the mailings to the USPS using any means of tender the USPS authorizes for items for which postage payment is through a PC Postage Provider, with the exception of the following means of tender: tender to the USPS at a Bulk Mail Entry Unit or at a USPS retail window.
- 5. <u>Customs and Export Documentation</u>. To require that Reseller's Designated Customers and/or PC Postage Provider provide any necessary documentation, including data provided in electronic format, in connection with each mailing, in the form and at the time specified by the USPS, Customs & Border Protection, Transportation Security Administration, the U.S. Census Bureau, a destination country foreign government, or other authority. The Reseller further understands and agrees to notify the Reseller's Designated Customers that the failure to

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- provide any such required documentation may result in refusal at acceptance, delay in processing, involuntary seizure by customs authorities, and/or return of mail to the sender.
- 6. Customs and Export Requirements. To require the Reseller's Designated Customers to comply with any regulation or order promulgated by the USPS, OFAC, the U.S. Department of the Treasury, the U.S. Census Bureau, BIS, the U.S. Department of Commerce, the U.S. Department of State, the U.S. Customs & Border Protection, the U.S. Fish and Wildlife Service, the Transportation Security Administration, a destination country foreign government, or other governmental unit, according to any requirements specified by those authorities. See IMM 5 for additional information. The Reseller further understands and agrees to notify the Reseller's Designated Customers that any non-compliance may lead to fines, denial of mailing privileges, and/or other penalties, including, but not limited to, the payment of any fines, penalties, expenses, damages, and/or other charges assessed to the Postal Service and resulting from the Reseller's Designated Customers' failure to comply with applicable laws and regulations of the origin country, destination country, or any country through which a mailing tendered under this Agreement passes.
- 7. <u>Software</u>. To require the Reseller's Designated Customers to apply address labels and Customs declarations to Qualifying Mail using the software provided by the approved PC Postage Provider which the Reseller has identified as its chosen postage payment intermediary.
- Notices to Reseller's Designated Customers. To provide notice to the Reseller's Designated Customers of the terms and conditions identified in this Agreement as requiring such notice.
- Postage Due. To pay postage due to the USPS as a result of discrepancies between the PC postage applied by the Reseller's Designated Customers and the actual postage due to the USPS under this Agreement.
- 10. <u>Confidentiality</u>. To treat as confidential and not disclose to third parties, absent express written consent by the USPS, any information related to this Agreement that is treated as non-public by the Postal Regulatory Commission and identified as such to the Reseller by the USPS.

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- Compliance. To comply with all applicable USPS regulations and orders, and in good faith to seek to comply with all other applicable laws and regulations.
- 14. Penalties. To pay any fines or penalties, as well as any other expenses, damages, and/or charges to the extent such amounts are due and owing, and are no longer eligible to be contested by the Reseller that result from the Reseller's failure to comply with applicable laws and regulations of the origin country or destination country.

ARTICLE 7. POSTAGE UPDATES

- In the event that the USPS incurs an increase in costs in excess of associated with providing this service, the USPS shall notify the Reseller and modify the prices established under this Agreement.
- 2. The prices in Annexes 1-12 are related to the non-discounted published postage for Express Mail International, Priority Mail International, and First-Class Package International Service. In the event that the non-discounted published postage for these services should change, the prices in Annexes 1-12 will also change. Such changes to the prices in Annexes 1-12 shall be calculated using the same assumptions and constraints used to determine the prices in the existing Annexes 1-12.
- The USPS will give the Reseller thirty (30) days' notice of changes to the prices in Annexes 1-12.
- Any revision of prices in Annexes 1-12 shall not be retroactive.
- No price shall increase beyond the non-discounted published price for the affected service.

ARTICLE 8. MINIMUM COMMITMENT

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The Reseller is required to meet an annualized minimum commitment of

In the event that the Reseller does not achieve the postage commitment in Paragraph 1 of this Article, the Reseller agrees to pay to the USPS

3. The USPS shall perform a periodic review of the Reseller's progress toward achieving the annualized minimum commitment in Paragraph 1 of this Article. These reviews shall take place on a quarterly basis and the first review shall take place following the first ninety (90) days after the date which the USPS is willing to accept Qualifying Mail. The first one hundred and eighty (180) days of the agreement shall be considered a ramp up period. At the time of the second review, to take place after the first one hundred and eighty (180) days after the date which the USPS is willing to accept Qualifying Mail, the Reseller is expected to be performing at a level sufficient to show the ability to achieve the overall postage commitment in Paragraph 1 of this Article. Nothing in the review process is intended to affect the Reseller's annualized minimum commitment in Paragraph 1 of this Article.

ARTICLE 9. NO SERVICE GUARANTEE

Nothing in this Agreement shall be construed as a representation or guarantee by the USPS that Qualifying Mail will be delivered to the appropriate addresses within any particular time. The Reseller shall notify the Reseller's Designated Customers that there is no service guarantee for mail tendered to the USPS at the discounted prices provided through this Agreement.

ARTICLE 10. CUSTOMS DUTIES AND TAXES

Customs duties and taxes for packages mailed under this Agreement are the responsibility of the addressee. The Reseller shall notify the Reseller's Designated Customers that Customs duties and taxes for packages mailed under this Agreement are the responsibility of the addressee.

ARTICLE 11. TERM OF THE AGREEMENT

 The USPS will notify the Reseller of the Effective Date of the Agreement within thirty (30) days after receiving the approval of the entities that have oversight responsibilities for the USPS. The Agreement will commence on the Effective Date and expire one calendar year thereafter, unless terminated sooner pursuant to Article 12.

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The USPS shall have no obligation to notify the Reseller of the status of the approval process or of potential fulfillment of the approval process.

ARTICLE 12. TERMINATION OF THE AGREEMENT

- Either Party to this Agreement, in its sole discretion, may terminate the Agreement for any reason, without cost, fault, or penalty, regardless of whether either Party is in default, upon a thirty (30) day written notification, unless a time frame longer than thirty (30) days that falls within the term of the Agreement is indicated by the terminating Party.
- 2. In the event that this Agreement is terminated for any reason before the expiration date provided for in Article 11, the minimum commitment in Article 8 shall be calculated on a *pro rata* basis to reflect the actual duration of the Agreement.
- In the event of early termination under this Article, the Reseller shall notify its PC Postage Provider and the Resellers' Designated Customers of the date the discounted prices will no longer be available to them through this Agreement.

ARTICLE 13. MODIFICATION OF THE AGREEMENT

- Any modification of this Agreement or additional obligation assumed by either Party in connection with this Agreement, with the exception of changes to prices under the terms of Articles 7, and with the exception of a notice of termination under the terms of Article 12, shall be binding only if placed in writing and signed by each Party.
- Modifications may be contingent upon any and all necessary approvals by USPS management's executive committee, the Board of Governors of the USPS, the Governors of the USPS, the Postal Regulatory Commission, and/or any other governmental body with oversight responsibility for the USPS.
- If such approvals are required, the modifications will not become effective until such time as all necessary approvals are obtained.
- The USPS will notify the Reseller of the date the modification becomes effective within thirty (30) days after receiving the approval of the entities that have oversight responsibility for the USPS.
- The USPS shall have no obligation to notify the Reseller of the status of the approval process or of potential fulfillment of the approval process.

ARTICLE 14. ENTIRE AGREEMENT AND SURVIVAL OF OBLIGATIONS

 This Agreement, including all Annexes thereto, shall constitute the entire agreement between the Parties regarding Express Mail International, Priority Mail International and First-Class Package International Service

- Qualifying Mail defined in Article 3 of this Agreement during the term of this Agreement.
- 2. Neither the Reseller nor the USPS is released from any applicable obligations arising under the Global Customized Mail Agreement between the United States Postal Service and executed by on December 27, 2010, and by the USPS on December 28, 2010 ("2010 Global Reseller Agreement"), with the exception of the obligations of the Parties set forth in Article 8, Paragraph 2; Article 10; Article 14, Paragraph 2; and Article 14, Paragraph 3 of the 2010 Global Reseller Agreement. If an Effective Date for this Agreement is established, the 2010 Global Reseller Agreement shall terminate at 11:59pm on the day prior to the Effective Date of this Agreement.
- With the exception of the Agreement mentioned in Article 14, Paragraph 2, any prior understanding or representation of any kind regarding the use of Express Mail International, Priority Mail International and/or First-Class Package International Service Qualifying Mail that precedes the date of this Agreement shall not be binding upon either Party except to the extent incorporated in this Agreement.
- 4. The obligations of the Parties with respect to confidentiality, as provided for in Article 5, Paragraph 3; Article 6, Paragraph 10; and Article 16 will expire ten (10) years from the date of termination or expiration of this Agreement.
- 5. The obligations of the Parties with respect to notice and payment of postage due, as provided for in Article 5, Paragraph 2, and Article 6, Paragraph 9, will expire ninety (90) days from the date of termination or expiration of this agreement.

ARTICLE 15. FORCE MAJEURE

Neither Party shall be liable for its failure to perform under the terms of this Agreement due to any contingency beyond its reasonable control, including acts of God, fires, floods, wars, sabotage, accidents, labor disputes or shortages; governmental laws, ordinances, rules and regulations, whether valid or invalid; court orders whether valid or invalid; inability to obtain material, equipment or transportation; and any other similar or different contingency.

ARTICLE 16. CONFIDENTIALITY

The Reseller acknowledges that as part of securing approval of this Agreement, and in other subsequent regulatory filings, the Agreement and supporting documentation will be filed with the Postal Regulatory Commission ("Commission") in a docketed proceeding. The Reseller authorizes the USPS to determine the scope of information that must be made publicly available in any Commission docketed proceeding. The Reseller further understands that any unredacted portion of the Agreement or supporting information will be available on the Commission's public website, www.prc.gov. In addition, the USPS may file information in connection with this instrument (including revenue, cost, or

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volume data) in other Commission dockets, including PRC Docket Numbers ACR2013, ACR2014, and/or ACR2015. The Reseller has the right, in accordance with the Commission's rules, to address its confidentiality concerns directly with the Commission. The procedure for making an application to the PRC for non-public treatment of materials believed to be protected from disclosure is found at Title 39, Code of Federal Regulations, Section 3007.22 found on the Commission's website: www.prc.gov/Docs/63/63467/Order225.pdf. At the request of the Reseller, the USPS will notify the Reseller of the docket number of the Commission proceeding to establish the prices in this instrument once assigned.

ARTICLE 17. EFFECT OF PARTIAL INVALIDITY

The invalidity of any portion of this Agreement will not and shall not be deemed to affect the validity of any other provision. In the event that any provision of this Agreement is held to be invalid, the Parties agree that the remaining provisions shall be deemed to be in full force and effect.

ARTICLE 18. INDEMNITY

The Reseller shall indemnify and save harmless the USPS and its officers, agents, and employees from any and all claims, losses, costs, damages, or expenses ("Claims") growing out of or connected in any other way with the discharge by the Reseller or its agents(s) of any undertaking contained in this Agreement, except for Claims arising out of the negligence or willful misconduct of the USPS or of its officers, agents, or employees. Notwithstanding its obligation to indemnify the USPS, the Reseller shall not be liable for any consequential damages suffered by the USPS.

ARTICLE 19. GOVERNING LAW

This Agreement shall be governed by, construed, and enforced in accordance with United States federal law.

ARTICLE 20. SUSPENSIONS OF MAIL SERVICE

In the event that a suspension of either Express Mail International or Priority Mail International service, or First-Class Package International Service, from the United States to a country would prevent delivery of Qualifying Mail to addressees in that country, the Reseller shall notify the Reseller's Designated Customers not to tender Express Mail International, Priority Mail International, and/or First-Class Package International Service, as appropriate, to the USPS until service is restored.

ARTICLE 21. ASSIGNMENT

The rights of each Party under this Agreement, with the exception of the Reseller's right to provide the Reseller's Designated Customers with access to a portion or all of its discount from the applicable published postage prices, are personal to that Party and may not be assigned or transferred to any other

person, firm, corporation, or other entity without the prior written consent of the other Party. Such consent shall not be unreasonably withheld.

ARTICLE 22. NO WAIVER

The failure of either Party to this Agreement to insist upon the performance of any of the terms and conditions of this Agreement, or the waiver of any breach of the terms and conditions of this Agreement, shall not be construed as thereafter waiving any such terms and conditions, but these shall continue and remain in full force and effect as if such forbearance or waiver had not occurred.

ARTICLE 23. MAILABILITY, EXPORTABILITY AND IMPORTABILITY

All items mailed under this Agreement must conform to the mailability requirements of the USPS as detailed in the IMM 130, all applicable United States laws and regulations, including export control and customs laws and regulations, and all applicable importation restrictions of the destination countries. The Reseller is solely responsible for notifying the Reseller's Designated Customer's responsibility for

- determining export and import requirements,
- 2. obtaining any required licenses and permits,
- taking steps to ensure that the recipient of the item is authorized by the laws of the United States and destination countries to receive the item, and
- the exportation and importation status of the products mailed under this Agreement as detailed in IMM 112.

ARTICLE 24. SUPERSEDING TERMS AND CONDITIONS

The Parties acknowledge and understand that all obligations of the USPS under this Agreement, including the prices listed in the Annex, shall be contingent upon the USPS receiving approvals hereinafter ("Conditions Precedent") from one or more internal and external bodies that have oversight responsibilities. Conditions Precedent may include, but are not limited to: approvals or, if applicable, non-objection, from responsible USPS management officials, the USPS Board of Governors, the USPS Governors, the Postal Regulatory Commission, and/or any other governmental body with oversight responsibility for the USPS. The Parties acknowledge that the Agreement may not be approved by such bodies. Until such time that all Conditions Precedent are fulfilled that are necessary to allow the Postal Service to provide the products or services contemplated under the Agreement, no obligation shall exist for and no benefit shall inure to either Party.

- In the event that the Conditions Precedent are not fulfilled, the USPS shall have no liability, which shall include no obligation to pay costs associated with any action taken by the Reseller prior to the Effective Date. Further, in the event of termination of the Agreement or the failure of any Condition Precedent, the USPS shall not be held liable for any damages including, without limitation, actual; special; indirect; incidental; punitive; consequential, or any other damages, which shall include but not be limited to damages for loss of business profits; business interruption; any other loss; and/or for costs incurred by either Party attributable to such non-approval, such as attorney's fees.
- The prices listed in the Annex are contingent upon any and all necessary approvals for corresponding USPS prices by the USPS Governors, the USPS Board of Governors, and/or the United States Postal Regulatory Commission.

ARTICLE 25. PARAGRAPH HEADINGS AND REFERENCE CITATIONS

The titles to the paragraphs of this Agreement are solely for the convenience of the Parties and shall not be used to explain, modify, simplify, or aid in the interpretation of the provisions of this Agreement. All citations to provisions in the DMM and IMM within this Agreement are intended to refer to the substantive information found within the cited section(s) at the time this Agreement is signed by the Parties. Subsequent changes to the citations or the relevant substantive information due to published revisions of the DMM or IMM shall be applicable to this Agreement upon the effective date of such revisions.

ARTICLE 26. FRAUD

The Reseller shall notify the Reseller's Designated Customers that providing false information to access discounted rates or pay less than the applicable postage due through the use of a PC Postage provider may subject the Reseller's Designated Customers to criminal and/or civil penalties, including fines and imprisonment.

ARTICLE 27. NOTICES

All notices or demands to the Parties required by this Agreement shall be sufficient if delivered personally or mailed, by Express Mail, to the following individuals:

To the USPS:

Giselle Valera
Vice President and Managing Director, Global Business
United States Postal Service
475 L'Enfant Plaza SW Room 1P914
Washington, DC 20260-0914

with a copy to:

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Nick Coleman Manager Shipping & Mailing Solutions 2010 15th Avenue West Room 106 Seattle, WA 98119

To the Reseller:



or via e-mail:

To the United States Postal Service at: icmusps@usps.gov

To the Reseller at:

ARTICLE 28. DISCLAIMER

The Reseller is not an agent of the USPS and must act in its own capacity in securing business from the Reseller's Designated Customer.

ARTICLE 29. NOTICE

The Reseller acknowledges and understands that the USPS may review its product offerings during the term of this Agreement and that the USPS may modify existing product offerings during the term of this Agreement in a manner that could affect the Reseller's ability to achieve the volume commitment in Article 8.

ARTICLE 30. COUNTERPARTS

The Parties may execute this Agreement in one or more counterparts (including by facsimile or by electronic means such as .pdf format), not all Parties need be signatories to the same documents, and all counterpart-signed documents shall be deemed an original and one instrument.

ARTICLE 31. USPS SALES

Nothing in this Agreement prohibits the USPS from soliciting sales from the Reseller's customers, provided that the USPS does not use information generated under this Agreement as a basis for soliciting the Reseller's customers.

ARTICLE 32. INTELLECTUAL PROPERTY, CO-BRANDING AND LICENSING

The Reseller is allowed the use of the following trademarks: Express Mail International®, Priority Mail International®, First-Class Package International Service™ and the acronyms EMI™, PMI™, and FCPIS™ to indicate the USPS

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service offered. The Parties acknowledge that in the service of marketing the products under this Agreement that such product marketing may be enhanced through the use of co-branding or the use of each Party's trademarks, logos or intellectual property. In such instances, the Parties acknowledge and agree that any use shall be subject to separate written agreements. The Parties acknowledge and agree that neither Party shall use the other Party's trademarks, logos or intellectual property other than to refer to the trademark owner or the trademark owner's services until such time that a license for such use has been executed by the Parties and all laws and regulations required for such license's effectiveness have been perfected, which shall include but not be limited to any recordation requirements.

ARTICLE 33. LIMITATION OF LIABILITY

- EMI™, PMI™, and FCPIS™ shipments mailed under this Agreement are 1. not guaranteed against delay in delivery.
- 2. The USPS shall not be liable for any loss or expense, including but not limited to fines and penalties, for Reseller's, Reseller's Designated Customer's, or any other person's failure to comply with any export laws, rules or regulations.
- 3. The USPS shall not be liable for any act or omission by a person not employed or contracted by the USPS, including any act or omission of the Reseller, the Reseller's Designated Customers, or recipient of an item tendered under this Agreement.
- The USPS bears no responsibility for the refund of postage in connection with actions taken by Customs authorities.
- 5. The USPS is not liable for any of the Reseller's actions or the Reseller's Designated Customers' actions and bears no liability in the event of termination with or without cause.

ARTICLE 34. WARRANTIES AND REPRESENTATIONS

The Reseller warrants and represents that the Reseller is as of the Effective Date of this Agreement not subject to, nor are its wholly owned subsidiaries to, a temporary or other denial of export privileges by BIS and that Reseller is not listed on the BIS's Entity List or OFAC's Specially Designated Nationals List.

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In witness whereof, each Party to this Agreement has caused it to be executed on the latter of the two dates accompanying the Parties' signatures.

	Signature: Cuty Rue
	Name: Of Giselle Valera Criff Rucket
Business	Title: Vice President and Managing Director, Global
	Date: 5[21]13
ON BEHAL	F OF
	Signature:
	Name:
	Title:
	Date: <u>\$721/13</u>
Annex 1	PRICES FOR EXPRESS MAIL INTERNATIONAL AND PRIORITY MAIL INTERNATIONAL TENDERED BY THAT RESELLER IS TO
	PAY POSTAL SERVICE
Annex 2	MAXIMUM PRICES FOR EXPRESS MAIL INTERNATIONAL AND PRIORITY MAIL INTERNATIONAL THAT RESELLER IS TO OFFER RESELLER'S CUSTOMERS
Annex 3	PRICES FOR FIRST-CLASS PACKAGE INTERNATIONAL SERVICE TENDERED BY THAT RESELLER IS TO PAY POSTAL SERVICE
Annex 4	MAXIMUM PRICES FOR FIRST-CLASS PACKAGE

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RESELLER'S CUSTOMERS Annex 5 PRICES FOR EXPRESS MAIL INTERNATIONAL AND PRIORITY MAIL INTERNATIONAL TENDERED BY AND BY THAT RESELLER IS TO PAY POSTAL SERVICE MAXIMUM PRICES FOR EXPRESS MAIL INTERNATIONAL Annex 6 AND PRIORITY MAIL INTERNATIONAL THAT RESELLER IS TO OFFER RESELLER'S CUSTOMERS AND PRICES FOR FIRST-CLASS PACKAGE INTERNATIONAL Annex 7 SERVICE TENDERED BY AND BY THAT RESELLER IS TO PAY POSTAL SERVICE MAXIMUM PRICES FOR FIRST-CLASS PACKAGE Annex 8 INTERNATIONAL SERVICE THAT RESELLER IS TO OFFER RESELLER'S CUSTOMERS AND Annex 9 PRICES FOR EXPRESS MAIL INTERNATIONAL AND PRIORITY MAIL INTERNATIONAL TENDERED BY THAT RESELLER IS TO PAY POSTAL SERVICE Annex 10 MAXIMUM PRICES FOR EXPRESS MAIL INTERNATIONAL AND PRIORITY MAIL INTERNATIONAL THAT RESELLER IS TO OFFER RESELLER'S CUSTOMERS PRICES FOR FIRST-CLASS PACKAGE INTERNATIONAL Annex 11 SERVICE TENDERED BY THAT RESELLER IS TO PAY POSTAL SERVICE Annex 12 MAXIMUM PRICES FOR FIRST-CLASS PACKAGE INTERNATIONAL SERVICE THAT RESELLER IS TO OFFER RESELLER'S CUSTOMERS

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ANNEX 3

PRICES FOR FIRST-CLASS PACKAGE INTERNATIONAL SERVICE TENDERED BY THAT RESELLER IS TO PAY POSTAL SERVICE

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ANNEX 4

MAXIMUM PRICES FOR FIRST-CLASS PACKAGE INTERNATIONAL SERVICE THAT RESELLER IS TO OFFER RESELLER'S CUSTOMERS

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PRICES FOR FIRST-CLASS PACKAGE INTERNATIONAL SERVICE TENDERED BY THAT RESELLER IS TO PAY POSTAL SERVICE

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MAXIMUM PRICES FOR FIRST-CLASS PACKAGE INTERNATIONAL SERVICE THAT RESELLER IS TO OFFER RESELLER'S CUSTOMERS

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